A 3275-1

THIRD QUARTER
R&E Series No. 723

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in thousands)

ACCOUNT	FOR THE THIRD QUARTER 1985	1984	PERCENT INCREASE 1985 OVER 1984	FOR THE NINE MONTHS ENDED SEPT. 30 1985	1984	PERCENT INCREASE 1985 OVER 1984
REVENUE						
FREIGHT	$ 6 523 911	$ 7 114 526	D 8.3	20 183 475	21 520 054	D 6.2
PASSENGER	26 279	24 711	6.3	77 546	75 753	2.3
PASSENGER RELATED	109	66	70.3	199	241	D 17.4
ALL OTHER OPERATING REVENUE	191 243	212 503	D 10.0	593 934	637 229	D 6.7
JOINT FACILITY ACCOUNT	1 885	2 661	D 28.6	7 047	9 017	D 21.8
TOTAL OPERATING REVENUES	6 743 425	7 354 443	D 8.3	20 862 649	22 242 294	D 6.2
EXPENSES						
DEPRECIATION-ROAD	245 814	233 900	5.0	742 896	696 987	6.6
ALL OTHER WAY AND STRUCTURES	746 996	811 665	D 7.9	2 357 371	2 435 685	D 3.2
TOTAL WAY AND STRUCTURES	992 810	1 045 565	D 5.0	3 100 267	3 132 672	D 1.0
DEPRECIATION-EQUIPMENT	205 325	232 836	D 11.8	674 849	697 366	D 3.2
ALL OTHER EQUIPMENT	1 264 914	1 391 489	D 9.0	4 015 195	4 274 456	D 6.1
TOTAL EQUIPMENT EXPENSE	1 470 239	1 624 325	D 9.4	4 690 044	4 972 372	D 5.7
TRANSPORTATION-TRAIN & YARD	2 408 019	2 622 087	D 8.1	7 554 723	8 043 040	D 6.1
TRANSPORTATION-SPEC. SERV. & ADM.	338 975	361 935	D 6.3	1 051 347	1 097 440	D 4.2
GENERAL AND ADMINISTRATIVE	704 447	648 601	8.6	2 125 802	2 295 268	D 7.4
TOTAL OPERATING EXPENSES	5 914 490	6 302 513	D 6.1	18 536 175	19 236 188	D 3.6
NET REVENUE FROM RAILWAY OPERATIONS	828 935	1 051 930	D 21.2	2 326 474	3 006 107	D 22.6
OTHER INCOME	341 510	369 576	D 7.6	957 663	946 427	1.2
DIVIDENDS FROM AFFILIATES	14 103	7 335	92.2	40 111	37 442	7.1
EQUITY IN UNDISTR. EARN. OF AFFIL.	21 028	30 349	D 30.7	52 693	91 935	D 42.7
TOTAL INC. FROM AFFILIATED COS.	35 131	37 684	D 6.7	92 804	129 047	D 28.1
MISCELLANEOUS DEDUCTIONS	47 085	95 959	D 50.9	192 975	193 108	D 0.1
INCOME AVAILABLE FOR FIXED CHARGES	1 158 488	1 357 231	D 14.6	3 213 966	3 948 373	D 18.6
FIXED CHARGES						
INTEREST ON FUNDED DEBT	225 984	227 213	D .5	670 367	674 567	D 1.3
INTEREST ON UNFUNDED DEBT	12 810	10 731	19.4	40 569	34 332	18.2
AMORT. OF DISCOUNT ON FUNDED DEBT	2 127	2 173	D 2.1	6 501	6 718	D 3.2
TOTAL FIXED CHARGES	240 921	240 617	.1	717 436	715 617	.3
INCOME AFTER FIXED CHARGES	917 567	1 116 614	D 17.8	2 496 530	3 232 756	D 22.8
OTHER DEDUCTIONS	2 906	2 998	D 3.0	9 280	9 292	D 0.1
UNUSUAL OR INFREQ. ITEMS (DR.) CR.	0 DEF	1 891	D 100.0	DEF 66	DEF 814	D 91.8
INCOME (LOSS) FR. CONT. OPER. BEFORE INC. TAX	914 661	1 111 725	D 17.7	2 487 184	3 113 650	D 20.1
INCOME TAXES ON ORDINARY INCOME	75 048	55 082	36.2	234 206	141 450	65.5
PROVISION FOR DEFERRED INCOME TAXES	193 456	291 273	D 33.5	559 081	805 838	D 30.6
INCOME (LOSS) FR. CONT. OPER. AFTER INC. TAX	646 157	765 370	D 15.6	1 694 377	2 166 362	D 21.7
INCOME (LOSS) FR. OPER. OF DISCONT. SEG.	0	0		0	0	
GAIN (LOSS) ON DISP. OF DISCONT. SEG.	0	0		0	0	
ORDINARY INCOME	646 157	765 370	D 15.6	1 694 377	2 166 362	D 21.7
EXTRAORDINARY ITEMS (NET)	32 363	7 802	314.8	79 445	22 408	254.5
INCOME TAXES ON EXTRAORDINARY ITEMS	0	0		0	0	
PROV. FOR DEF. TAXES-EXTRAORD. ITEMS	2 931	0		2 931	0	
CUM. EFFECT OF CHANGES IN ACCT. PRIN.	0	0		0	0	
NET INCOME (AFTER EXTRAORDINARY ITEMS)	675 589	773 172	D 12.6	1 770 891	2 188 190	D 19.1
INCOME FROM LEASE OF ROAD & EQUIP.	404	469	D 13.8	1 182	1 364	D 13.5
RENT FOR LEASED ROADS & EQUIPMENT	13 412	14 096	D 4.8	39 711	39 402	.7
NET RAILWAY OPERATING INCOME	573 439	719 202	D 20.2	1 601 716	2 051 871	D 21.9
CASH FLOW	1 269 724	1 493 030	D 14.9	3 608 509	4 273 168	D 15.5
RATIOS						
RATIO TO OPERATING REVENUES						
OPERATING EXPENSES	87.7	85.6		88.7	86.6	
OPERATING EXPENSES (INC. INC. TAXES)	91.6	90.4		92.5	90.9	
NET RAILWAY OPERATING INCOME	8.5	9.7		7.6	9.2	

RATE OF RETURN ON PROPERTY INVESTMENT

Year Ended Sept. 30

(thousands)

	Net Investment		Net Railway Operating Income		Rate of Return	
	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT	$11,872,497	$11,609,761	$ 559,326	$ 834,053	4.71%	7.18%
SOUTHERN DISTRICT	9,860,283	9,735,551	514,369	529,958	5.22	5.34
WESTERN DISTRICT	23,298,331	22,703,484	1,010,751	1,296,185	4.34	5.27
UNITED STATES	$45,031,111	$44,048,796	$ 2,084,446	$ 2,550,196	4.63%	5.75%

RAILROAD REVENUES, EXPENSES, AND INCOME [3]

THIRD QUARTER 1985 and 1984

Class I Railroads in the United States [2]

(dollars in millions)

DISTRICT and RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		NET RAILWAY OPERATING INCOME		ORDINARY INCOME	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT										
BALTIMORE & OHIO	$ 237	$ 250	$ 246	$ 261	$ 230	$ 248	$ 20	$ 19	$ 11	$ 8
BOSTON & MAINE	27	31	29	32	29	29	0	3	0	4
CHESAPEAKE & OHIO	250	283	260	295	206	228	33	37	44	59
CONRAIL	741	796	770	828	659	698	89	122	98	133
DELAWARE & HUDSON										
ELGIN, JOLIET & EASTERN	28	31	28	32	28	32	0	0	0	-1
GRAND TRUNK WESTERN	15	12	21	18	20	18	0	0	2	1
NORFOLK & WESTERN	77	78	81	81	80	83	1	0	-1	-2
	392	441	408	459	335	344	23	59	79	83
EASTERN DISTRICT TOTAL	1 766	1 921	1 843	2 005	1 587	1 680	165	238	234	285
SOUTHERN DISTRICT										
FLORIDA EAST COAST	26	26	27	26	23	21	1	1	4	6
ILLINOIS CENTRAL GULF	189	211	207	229	199	214	4	9	1	29
SEABOARD SYSTEM	616	660	628	675	541	588	63	62	49	54
SOUTHERN SYSTEM	407	434	416	444	330	360	61	48	57	52
SOUTHERN DISTRICT TOTAL	1 239	1 330	1 278	1 375	1 092	1 183	128	121	112	141
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	523	579	534	592	486	518	35	47	35	42
BURLINGTON NORTHERN	982	1 089	1 002	1 110	786	844	126	157	145	145
CHICAGO & NORTHWESTERN	181	195	205	221	193	196	12	23	2	18
MILWAUKEE ROAD [1]	0	105	0	108	0	104	0	4	0	5
DENVER & RIO GRANDE WESTERN	77	90	79	92	68	81	7	8	6	7
KANSAS CITY SOUTHERN	76	81	80	85	66	69	9	9	7	8
MISSOURI-KANSAS-TEXAS	65	67	68	72	65	67	4	5	1	3
MISSOURI PACIFIC	387	451	400	462	379	395	35	51	13	45
ST. LOUIS SOUTHWESTERN	99	105	95	107	84	101	7	3	7	7
SOO LINE [1]	153	80	159	82	159	73	5	4	-4	7
SOUTHERN PACIFIC	497	527	513	543	508	542	12	12	50	23
UNION PACIFIC	441	456	447	462	397	408	26	38	40	32
WESTERN PACIFIC	40	37	41	38	45	41	1	0	-2	-4
WESTERN DISTRICT TOTAL	3 517	3 863	3 622	3 974	3 235	3 440	280	360	300	339
GRAND TOTAL - UNITED STATES	6 524	7 115	6 743	7 354	5 914	6 303	573	719	646	765

RAILROAD REVENUES, EXPENSES, AND INCOME

NINE MONTHS ENDED SEPTEMBER 30, 1985 and 1984

Class I Railroads in the United States

(Dollars in millions)

DISTRICT and RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		NET RAILWAY OPERATING INCOME		ORDINARY INCOME	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT										
BALTIMORE & OHIO	$ 741	$ 777	$ 771	$ 808	$ 744	$ 750	$ 42	$ 61	$ 26	$ 38
BOSTON & MAINE	84	91	88	95	86	89	1	7	3	8
CHESAPEAKE & OHIO	748	816	771	866	629	697	86	86	112	140
CONRAIL	2 297	2 445	2 383	2 539	2 094	2 151	223	366	263	388
DELAWARE & HUDSON	81	89	82	94	84	96	-2	-1	-2	-3
ELGIN, JOLIET & EASTERN	46	48	65	72	62	64	0	3	5	8
GRAND TRUNK WESTERN	245	240	255	251	252	249	4	6	1	0
NORFOLK & WESTERN	1 236	1 301	1 287	1 352	1 013	1 056	128	149	218	218
EASTERN DISTRICT TOTAL	5 477	5 806	5 703	6 058	4 966	5 151	483	676	624	797
SOUTHERN DISTRICT										
FLORIDA EAST COAST	85	87	86	89	69	66	5	9	17	21
ILLINOIS CENTRAL GULF	617	666	672	725	640	675	26	40	10	55
SEABOARD SYSTEM	1 924	2 037	1 971	2 082	1 720	1 775	182	213	171	201
SOUTHERN RAILWAY SYSTEM	1 254	1 319	1 284	1 369	1 031	1 080	162	160	155	159
SOUTHERN DISTRICT TOTAL	3 880	4 109	4 014	4 265	3 460	3 596	375	421	354	436
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	1 592	1 714	1 626	1 748	1 508	1 571	91	118	95	109
BURLINGTON NORTHERN	2 996	3 262	3 060	3 330	2 454	2 612	354	410	378	423
CHICAGO & NORTHWESTERN	543	598	618	676	598	620	22	51	-8	31
MILWAUKEE ROAD[3]	47	313	49	324	57	316	-8	8	-9	12
DENVER & RIO GRANDE WESTERN	245	269	248	273	219	246	18	20	17	17
KANSAS CITY SOUTHERN	230	237	241	248	206	210	24	25	18	20
MISSOURI-KANSAS-TEXAS	196	201	205	213	194	199	7	15	-2	8
MISSOURI PACIFIC	1 220	1 322	1 255	1 357	1 182	1 169	91	129	42	107
ST. LOUIS SOUTHWESTERN	290	327	295	331	276	300	11	18	14	28
SOO LINE[3]	430	232	443	238	438	220	17	9	-7	14
SOUTHERN PACIFIC	1 523	1 601	1 571	1 651	1 578	1 642	5	47	55	83
UNION PACIFIC	1 402	1 415	1 418	1 433	1 235	1 286	114	102	133	90
WESTERN PACIFIC	114	114	116	116	134	123	-4	2	-10	-7
WESTERN DISTRICT TOTAL	10 827	11 604	11 146	11 939	10 080	10 534	743	955	716	934
GRAND TOTAL - UNITED STATES	20 184	21 520	20 863	22 262	18 506	19 281	1 602	2 052	1 694	2 166

TOTAL OPERATING REVENUES, EXPENSES, ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES [2]
BY QUARTERS 1980 - 1985

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total [4]
TOTAL OPERATING REVENUES					
1980	$ 6 802	$ 6 943	$ 6 995	$ 7 517	$ 28 257
1981	7 660	7 582	7 964	7 699	30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 052r	7 068	6 743		
TOTAL OPERATING EXPENSES					
1980	$ 6 380	$ 6 559	$ 6 602	$ 6 809	$ 26 350
1981	6 954	7 174	7 332	7 117	28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 438r	6 153	5 914		
ORDINARY INCOME (After Fixed Charges)					
1980	$ 264	$ 174	$ 148	$ 544	$ 1 130
1981	626	336	480	562	2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	583	809	769	488	2 659
1985	408r	640r	646		
NET RAILWAY OPERATING INCOME					
1980	$ 294	$ 263	$ 244	$ 541	$ 1 342
1981	475	278	434	198	1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	383r	646	573		
REVENUE TON-MILES					
1980	233 002	227 197	222 377	236 045	918 621
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 526	222 844	216 839p		
CAPITAL EXPENDITURES					
1980	$ 855	898	772	1 096	3 621
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699r	1 336	N/A		

p - Preliminary
r - revised

NOTES TO THE RE&I REPORT

1. The change in 1984 quarterly data from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA) affects the comparability of a number of statistics and trends published in the quarterly "Revenue, Expenses and Income" statement (RE&I). Statistics for years prior to 1984 (as shown on Page 4) are on a RRB basis. Beginning in 1984, statistics are on a depreciation accounting basis.

2. Effective January 1, 1985, three railroads were reclassified from Class I to Class II status and no longer file quarterly or annual reports to the Interstate Commerce Commission. They are: Bessemer & Lake Erie Railroad Company, Pittsburgh & Lake Erie Railroad Company and Duluth, Missabe and Iron Range Railway Company. The data for these carriers are included on Page 4 through 1984.

3. On February 20, 1985, Soo Line Railroad Company acquired the Milwaukee Road, Inc. From that date, the results of the Milwaukee Road, Inc. are consolidated within the Soo Line Railroad Company report.

4. Differences in totals and subtotals are due to rounding.

5. Rate of return is calculated on the net investment in road and equipment, less interest during construction and debit balances in other elements of investment plus working capital. The rate of return does not contain an adjustment for investment tax credits, as prescribed by the Commission in Ex Parte No. 393, due to lack of available data on a quarterly basis. It is estimated that under the Ex Parte No. 393 formula a slightly lower return would result for most carriers.

6. The rates of return for the year ending September 30, 1985 and 1984 are calculated on the year end 1984 and average 1984 net investment respectively. All components of the ROI are on a DA basis.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
DECEMBER 12, 1985

A3275-1

ASSOCIATION OF AMERICAN RAILROADS

FOURTH QUARTER
R&E Series No. 724

RAILROAD REVENUES, EXPENSES, AND INCOME*

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE FOURTH QUARTER 1985 [3]		1984		PERCENT INCREASE 1985 OVER 1984		FOR THE TWELVE MONTHS ENDED DEC. 31 1985 [3]		1984		PERCENT INCREASE 1985 OVER 1984	
REVENUE												
FREIGHT	$ 6,523,284		$ 6,781,035		D	3.8	$ 26,734,340		$ 28,332,105		D	5.6
PASSENGER	28,059		28,321		D	0.9	103,205		101,814		D	2.2
PASSENGER RELATED	45		91		D	50.5	254		300		D	15.3
ALL OTHER OPERATING REVENUE	193,554		207,102		D	6.5	798,168		944,873		D	8.7
JOINT FACILITY ACCOUNT	2,385		2,035			16.2	9,467		11,032		D	14.2
TOTAL OPERATING REVENUES	6,744,921		7,017,554		D	3.9	27,635,434		29,289,486		D	5.6
EXPENSES												
DEPRECIATION-ROAD	363,804		231,463		D	99.6	1,200,097		931,958		D	28.8
ALL OTHER WAY AND STRUCTURES	358,243		806,629		D	17.9	2,147,883		2,238,778		D	2.8
TOTAL WAY AND STRUCTURES	1,221,855		1,038,092			17.7	4,347,980		4,170,736			4.2
DEPRECIATION-EQUIPMENT	317,781		247,097			28.6	995,368		945,840			5.2
ALL OTHER EQUIPMENT	1,355,138		1,330,538			1.8	5,399,748		5,606,171		D	3.7
TOTAL EQUIPMENT EXPENSE	1,673,919		1,577,635			6.1	6,395,116		6,552,011		D	2.4
TRANSPORTATION-TRAIN & YARD	2,465,363		2,464,520			1.7	10,215,379		10,475,775		D	2.5
TRANSPORTATION-SPEC. SERV. & ADM.	624,044		376,196			14.1	1,470,440		1,723,344		C	14.6
GENERAL & ADMINISTRATIVE	756,022		692,251			9.3	2,829,127		2,685,300			5.4
TOTAL OPERATING EXPENSES	6,736,614		6,308,674			6.8	25,258,542		25,607,166		D	1.4
NET REVENUE FROM RAILWAY OPERATIONS	8,307		708,880		D	98.8	2,376,892		3,682,320		D	35.5
OTHER INCOME	345,799		384,024		D	10.0	1,322,380		1,348,178		D	1.9
DIVIDENDS FROM AFFILIATES	39,536		82,192		D	51.9	76,644		120,121		D	33.7
EQUITY IN UNDISTR. EARN. OF AFFIL.	DR 100,400	DR	19,772		D	107.5	DR 60,558		38,215		D	258.5
TOTAL INC. FROM AFFILIATED COS.	DR 60,864		62,392		D	243.6	19,086		158,336		D	87.9
MISCELLANEOUS DEDUCTIONS	103,569		105,149		D	1.5	304,911		303,449			.5
INCOME AVAILABLE FOR FIXED CHARGES	189,873		1,030,147		D	81.6	3,413,447		4,885,385		D	30.1
FIXED CHARGES												
INTEREST ON FUNDED DEBT	207,908		236,614		D	12.1	881,384		917,258		D	3.9
INTEREST ON UNFUNDED DEBT	6,735		18,064		D	62.7	41,303		42,197		D	2.1
APORT. OF DISCOUNT ON FUNDED DEBT	2,207		2,394			34.0	9,711		9,115		D	6.5
TOTAL FIXED CHARGES	217,850		257,073		D	15.3	938,418		978,570		D	4.1
INCOME AFTER FIXED CHARGES	DEF 27,977		773,074		D	103.6	2,475,029		3,906,815		D	36.6
OTHER DEDUCTIONS	2,874		5,803		D	50.5	11,653		15,095		D	22.8
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	DR 26,557		2,041		D	1,299.7	DR 11,653		1,233		D	2,665.0
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	DEF 55,408		769,318		D	107.2	2,438,753		3,892,753		D	37.4
INCOME TAXES ON ORDINARY INCOME	39,343		108,450		D	63.7	294,272		255,409			15.2
PROVISION FOR DEFERRED INC. TAXES	CR 179,644		127,479		D	240.9	365,211		417,573		D	61.0
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	84,893		533,389		D	84.1	1,779,270		2,699,771		D	34.1
INC.(LOSS)FR.OPER.OF DISCONT.SEC.	0		0				6		0			
GAIN(LOSS)ON DISP.OF DISCONT.SEC.	0		47,705		D	100.0	0		47,705		D	100.0
ORDINARY INCOME	84,893		445,684		D	82.5	1,779,270		2,652,066		D	32.9
EXTRAORDINARY ITEMS (NET)	15,456		19,721		D	20.6	95,101		42,529			123.6
INCOME TAXES ON EXTRAORD. ITEMS	1,145		0				1,194		0			
PRIOR PER. ADJ.-TAXES-EXTRAORD.ITEMS	CR 2,356		0				175		0			
CUM.EFFECT CHANGES IN ACCT.PRIN.	0		0				0		0			
NET INCOME(AFTER EXTRAORD. ITEMS)	101,750		505,405		D	79.9	1,872,641		2,694,595		D	30.5
INCOME FROM LEASE OF ROAD & EQUIP	433		459		D	36.3	1,916		2,826		D	29.2
RENT FOR LEASED ROADS & EQUIPMENT	10,429		11,369		D	8.3	46,204		48,029		D	3.8
NET RAILWAY OPERATING INCOME	158,804		483,661		D	67.2	1,762,002		2,535,341		D	30.5
CASH FLOW	789,033		1,133,493		D	30.4	4,480,504		5,429,222		D	18.9
RATIOS												
RATIO TO OPERATING REVENUES												
OPERATING EXPENSES	99.9		89.9				91.4		87.4			
OPERATING EXPENSES (INC.INC.TAXES)	97.8		93.3				93.8		91.5			
NET RAILWAY OPERATING INCOME	2.4		6.9				6.4		8.7			

RATE OF RETURN ON PROPERTY INVESTMENT[5]

12 MONTHS ENDED DECEMBER 31, 1985 & 1984

(Dollars in Thousands)

	NET INVESTMENT[6]		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT	$11,872,497	$11,609,761	$ 463,082	$ 750,595	3.90%	6.47%
SOUTHERN DISTRICT	9,660,283	9,735,551	296,432	560,351	3.01	5.76
WESTERN DISTRICT	23,298,331	22,703,484	1,002,488	1,224,395	4.30	5.39
UNITED STATES	$45,031,111	$44,048,796	$ 1,762,002	$ 2,535,341	3.91%	5.76%

* Includes significant accounting adjustment: see inserted "Special Notes".

RAILROAD REVENUES, EXPENSES, AND INCOME [4]

FOURTH QUARTER 1985 and 1984

Class I Railroads in the United States [2]

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT										
BALTIMORE & OHIO	$ 241,515	$ 233,278	$ 251,320	$ 243,040	$ 389,098	$ 244,225	$ -78,719	$ 5,974	$ -60,253	$ 8,410
BOSTON & MAINE	26,362	28,405	28,037	29,745	28,450	30,428	1,827	-155	-319	-609
CHESAPEAKE & OHIO	240,662	196,584	269,829	204,068	428,749	212,093	-171,459	2,214	-97,347	-6,250
CONRAIL	742,047	754,672	770,186	782,345	670,329	721,009	97,845	54,402	95,048	56,396
DELAWARE & HUDSON	27,039	28,367	27,325	29,977	28,027	32,522	-790	-3,740	-699	-3,516
ELGIN, JOLIET & EASTERN	13,516	12,714	19,680	18,220	20,890	18,767	215	-139	-1,179	-968
GRAND TRUNK WESTERN	84,043	80,910	87,565	89,767	85,801	82,375	854	7,085	1,355	8,432
NORFOLK & WESTERN	418,844	348,014	434,026	384,220	352,684	310,641	83,369	46,017	62,697	12,723
TOTAL EASTERN DISTRICT	1,794,030	1,682,945	1,867,969	1,760,382	2,004,005	1,652,060	-86,854	141,808	-20,207	74,618
SOUTHERN DISTRICT										
FLORIDA EAST COAST	30,455	32,097	31,589	32,832	22,774	24,020	6,543	5,915	6,535	5,015
ILLINOIS CENTRAL GULF	190,827	211,157	209,078	229,797	196,732	218,938	15,523	7,354	6,879	14,159
SEABOARD SYSTEM	633,571	656,603	644,215	673,774	968,112	594,529	-186,056	45,327	-140,007	51,360
SOUTHERN RAILWAY SYSTEM	410,785	435,158	420,914	445,943	334,528	326,290	52,736	82,457	68,664	68,745
TOTAL SOUTHERN DISTRICT	1,266,038	1,335,015	1,305,896	1,382,346	1,502,146	1,161,777	-111,254	120,753	-79,929	139,279
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	507,845	545,608	518,603	557,431	491,375	512,120	30,729	25,912	28,434	30,924
BURLINGTON NORTHERN	960,961	1,088,926	990,907	1,110,113	808,113	880,977	110,679	128,823	104,204	137,526
CHICAGO & NORTH WESTERN	179,820	180,584	205,262	205,579	202,709	199,076	-21,279	-9,955	6,885	7,759
DENVER & RIO GRANDE WESTERN	76,085	83,812	77,491	85,289	67,692	79,112	6,929	5,735	5,053	5,911
KANSAS CITY SOUTHERN	71,904	79,297	75,540	83,344	64,602	67,206	5,534	8,891	7,332	10,614
MILWAUKEE ROAD	0	89,352	0	93,238	0	99,212	0	-57,296	0	-4,955
MISSOURI PACIFIC	387,978	426,418	400,737	438,229	382,878	419,515	28,938	23,268	50,281	18,672
MISSOURI-KANSAS-TEXAS	55,164	59,771	57,656	63,011	57,412	60,690	-3,935	-77	675	3,432
SOO LINE	151,270	75,992	157,131	77,872	159,582	72,229	4,576	4,040	-3,970	3,375
SOUTHERN PACIFIC CO.	466,298	520,709	483,245	537,632	488,523	530,515	81,892	54,355	12,969	19,533
ST. LOUIS SOUTHWESTERN	93,687	103,069	95,336	104,988	85,743	94,265	7,698	16,150	6,763	7,096
UNION PACIFIC	472,034	481,906	478,415	497,418	403,566	440,023	56,435	32,705	43,211	11,090
WESTERN PACIFIC	39,924	29,929	40,734	30,683	50,065	40,297	-3,051	572	-2,864	-1,319
TOTAL WESTERN DISTRICT	3,402,420	3,765,373	3,571,057	3,874,926	3,230,260	3,494,837	703,005	223,263	259,000	269,734
GRAND TOTAL - UNITED STATES	6,523,288	6,783,035	6,744,921	7,017,554	6,736,414	6,308,674	34,893	435,584	158,864	483,631

The CSX railroads' special charge affected the following carriers and items for both the fourth quarter and the year 1985 as shown below:

	(thousands) B&O	C&O	SBD
Total Operating Expenses	$ +157,515	$ +230,302	$ +396,631
Net Railway Operating Income	- 82,960	-121,246	-234,177
Ordinary Income	- 98,941	-288,483	-261,146

District and U.S. Totals for the above items are also impacted.

RAILROAD REVENUES, EXPENSES, AND INCOME

TWELVE MONTHS DECEMBER 31, 1985 and 1984

Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
EASTERN DISTRICT										
BALTIMORE & OHIO	$ 982,980	$ 1,009,929	$ 1,022,264	$ 1,050,905	$ 1,133,153	$ 994,453	$ -53,071	$ 43,656	$ -17,873	$ 67,825
BOSTON & MAINE	110,730	115,103	115,708	125,053	114,673	118,947	4,157	7,956	1,131	6,403
CHESAPEAKE & OHIO	986,853	1,012,690	1,028,887	1,050,474	1,058,215	908,906	-59,061	142,346	-1,060	79,453
CONRAIL	3,039,311	3,200,034	3,153,648	3,321,620	2,763,831	2,872,095	340,854	472,354	309,004	422,217
DELAWARE & HUDSON	108,125	117,428	109,640	123,202	112,311	128,276	-3,247	-6,537	-2,598	-4,959
ELGIN, JOLIET & EASTERN	59,455	60,865	84,987	90,245	83,137	83,098	4,990	7,448	-1,273	1,791
GRAND TRUNK WESTERN	329,308	320,447	342,947	341,119	338,118	331,006	1,414	7,536	5,294	14,400
NORFOLK & WESTERN	1,655,060	1,648,794	1,720,856	1,716,156	1,365,983	1,366,291	281,306	263,918	170,397	161,465
TOTAL EASTERN DISTRICT	7,271,822	7,489,290	7,578,937	7,818,774	6,969,621	6,803,072	537,540	938,577	463,082	750,595
SOUTHERN DISTRICT										
FLORIDA EAST COAST	115,558	119,261	117,788	121,479	91,441	89,560	23,632	26,805	9,284	13,779
ILLINOIS CENTRAL GULF	807,379	877,099	890,514	954,688	836,747	892,102	25,677	62,353	33,256	53,800
SEABOARD SYSTEM	2,594,369	2,722,744	2,644,993	2,785,804	2,684,530	2,387,148	-14,677	246,315	43,703	264,365
SOUTHERN RAILWAY SYSTEM	1,665,005	1,754,324	1,704,338	1,795,407	1,365,735	1,406,251	207,697	221,125	210,189	228,407
TOTAL SOUTHERN DISTRICT	5,172,811	5,473,428	5,347,637	5,657,378	4,978,453	4,775,061	242,319	556,658	296,432	560,351
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	2,099,995	2,259,231	2,144,360	2,305,444	1,989,150	2,083,277	125,792	135,029	119,699	148,823
BURLINGTON NORTHERN	3,956,485	4,350,464	4,040,540	4,440,241	3,261,664	3,493,153	488,510	551,323	458,296	547,132
CHICAGO & NORTH WESTERN	721,423	779,822	823,661	882,060	801,000	819,965	-29,506	20,899	28,992	59,161
DENVER & RIO GRANDE WESTERN	320,254	352,762	325,463	358,373	287,134	324,696	24,051	23,150	23,475	25,441
KANSAS CITY SOUTHERN	302,180	316,116	316,704	331,460	270,164	277,042	23,792	28,567	31,444	35,787
MILWAUKEE ROAD	46,097	401,460	48,993	417,067	57,325	414,320	-9,114	-55,561	-8,313	2,798
MISSOURI PACIFIC	1,607,999	1,748,350	1,655,995	1,795,227	1,544,635	1,608,604	71,017	129,910	141,711	148,046
MISSOURI-KANSAS-TEXAS	251,483	261,245	263,102	275,564	251,483	259,399	-5,681	7,857	7,331	18,403
SOO LINE	580,776	308,215	600,373	315,524	597,922	292,301	-2,056	18,032	13,102	12,409
SOUTHERN PACIFIC CO.	1,999,484	2,122,171	2,053,830	2,188,563	2,064,407	2,172,973	116,976	137,199	18,344	66,097
ST. LOUIS SOUTHWESTERN	383,696	429,755	390,388	436,211	362,228	394,047	21,229	44,586	17,276	25,316
UNION PACIFIC	1,875,135	1,896,721	1,896,885	1,920,860	1,639,031	1,725,940	167,145	122,690	157,560	134,057
WESTERN PACIFIC	154,135	143,675	156,815	146,740	184,325	163,315	-17,744	-6,820	-6,449	325
TOTAL WESTERN DISTRICT	14,299,707	15,369,387	14,716,800	15,413,334	13,310,468	14,029,033	999,411	1,156,331	1,302,496	1,224,395
GRAND TOTAL - UNITED STATES	26,734,340	28,332,105	27,635,434	29,289,486	25,258,542	25,607,166	1,779,270	2,652,066	1,762,032	2,535,341

The CSX railroads' special charge affected the following carriers and items for both the fourth quarter and the year 1985 as shown below:

	(thousands)		
	B&O	C&O	SBD
Total Operating Expenses	$ +157,515	$ +230,302	$ +396,631
Net Railway Operating Income	- 82,960	-121,246	-234,177
Ordinary Income	- 98,941	-288,483	-261,146

District and U.S. Totals for the above items are also impacted.

TOTAL OPERATING REVENUES, EXPENSES, ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES
BY QUARTERS 1980 - 1985

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total [4]
TOTAL OPERATING REVENUES					
[illegible]	$ 6 802	$ 6 943	$ 6 995	$ 7 517	$ 28 257
[illegible]	7 660	7 582	7 964	7 699	30 905
[illegible]	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 079r	7 068	6 743	6 745	27 635
TOTAL OPERATING EXPENSES					
[illegible]	$ 6 380	$ 6 559	$ 6 602	$ 6 809	$ 26 350
[illegible]	6 954	7 174	7 332	7 117	28 577
[illegible]	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 456r	6 153	5 914	6 736	25 259
ORDINARY INCOME (After Fixed Charges)					
1980	$ 264	$ 174	$ 148	$ 544	$ 1 130
1981	626	336	480	562	2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	408r	640r	646	85	1 779
NET RAILWAY OPERATING INCOME					
1980	$ 294	$ 263	$ 244	$ 541	$ 1 342
1981	475	278	434	198	1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	384r	646	573	159	1 762
REVENUE TON-MILES					
1980	233 002	227 197	222 377	236 045	918 621
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 526	222 844	216 223	215 672p	875 441p
CAPITAL EXPENDITURES					
1980	$ 855	898	772	1 096	3 621
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699r	1 336	1 321	1 237p	4 593p

r - revised
p - Preliminary

NOTES TO THE RE&I REPORT

1. The change in 1984 quarterly data from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA) affects the comparability of a number of statistics and trends published in the quarterly "Revenue, Expenses and Income" statement (RE&I). Statistics for years prior to 1984 (as shown above) are on a RRB basis. Beginning in 1984, statistics are on a depreciation accounting basis.

2. Effective January 1, 1985, three railroads were reclassified from Class I to Class II status and no longer file quarterly or annual reports to the Interstate Commerce Commission. They are: Bessemer Lake Erie Railroad Company, Pittsburgh & Lake Erie Railroad Company and Duluth, Missabe and Iron Range Railway Company. The data for these carriers are included above through 1984.

3. On February 20, 1985, Soo Line Railroad Company acquired the Milwaukee Road, Inc. From that date, the results of the Milwaukee Road, Inc. are consolidated within the Soo Line Railroad Company report.

4. Differences in totals and subtotals are due to rounding.

5. Rate of return is calculated on the net investment in road and equipment, less interest during construction and debit balances in other elements of investment plus working capital. The rate of return does not contain an adjustment for investment tax credits, as prescribed by the Commission in Ex Parte No. 393, due to lack of available data on a quarterly basis. It is estimated that under the Ex Parte No. 393 formula a slightly lower return would result for most carriers.

6. The rates of return for the year ending December 31, 1985 and 1984 are calculated on the year end 1984 and average 1984 net investment respectively. The investment bases used in the ROI calculations are not adjusted for the special charge as 1985 data are not yet available. All components of the ROI are on a DA basis.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
APRIL 2, 1986

S P E C I A L N O T E S

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

SPECIAL NOTES TO THE FOURTH QUARTER 1985 RE&I REPORT

NOTE A: CSX ADJUSTMENT

During the fourth quarter of 1985, the CSX Corporation recorded a number of adjustments to the income accounts of the B&O, C&O, and SBD to reflect the write-down and disposition of certain marginal and unproductive assets, a reserve for employee separation pay, and reserves for other reorganization costs. These special charges have the following impact on the 1985 fourth quarter and annual RE&I reports.

PAGE 1

	(thousands)
Operating Expenses	
Depreciation-Road	$ +239,306
All Other Way & Structures	+ 11,643
Total Way & Structures	$ +250,949
Depreciation-Equipment	$ + 84,076
All Other Equipment	+ 77,731
Total Equipment Expense	$ +161,789
Transportation - Train & Yard	$ +172,223
Transportation - Spec. Serv. & Admin.	$ + 96,612
General And Administrative	+102,875
Total Operating Expenses	$ +784,448
Net Revenue from Railway Operations	$ -784,448
Other Income	
Equity in Undistr. Earn. of Affil.	$ -123,222
Total Inc. From Affiliated Cos.	-123,222
Miscellaneous Deductions	+ 26,965
Income Available for Fixed Charges	$ -934,635
Income After Fixed Charges	-934,635
Income (Loss) Fr. Cont. Oper. Before Inc. Tax	-934,635
Taxes	
Income Taxes On Ordinary Income	$ - 88
Provision for Deferred Income Taxes	-345,977
Income (Loss) Fr. Cont. Oper. After Inc. Tax	$ -588,570
Ordinary Income	-588,570
Net Income	-588,570
Net Railway Operating Income	-438,383
Cash Flow	$ -487,943

RATIOS (Calculated excluding special charge adjustments.)

RATIO TO OPERATING REVENUES	4Q 1985	Year 1985
OPERATING EXPENSE	88.2%	88.6%
OPERATING EXPENSES (INCLUDING INCOME TAXES)	91.3	92.2
NET RAILWAY OPERATING INCOME	8.9	8.0

The CSX railroads' special charge affected the following items for both the fourth quarter and the year 1985. The adjustment is shown below:

	(millions)
Total Operating Expenses	$ + 784
Ordinary Income	$ - 589
Net Railway Operating Income	$ - 438

NOTE B: CNW EMPLOYEE REDUCTIONS

The CNW results for the fourth quarter and the year 1985 reflect a $24.557 million charge for severance payments related to a 1,500 job Manpower Reduction Program, covering employee terminations in 1985 and 1986.

A3275-1

FIRST QUARTER

R&E Series No. 725

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME*

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in thousands)

FOR THE FIRST QUARTER

ACCOUNT	1986	1985	PERCENT INCREASE 1986 OVER 1985
REVENUE			
FREIGHT	$6,473,589	$6,844,647	D 5.4
PASSENGER	26,478	25,387	4.3
PASSENGER RELATED	46	48	D 4.2
ALL OTHER OPERATING REVENUE	197,734	206,048	D 4.0
JOINT FACILITY ACCOUNT	2,282	3,154	D 27.6
TOTAL OPERATING REVENUES	6,700,129	7,079,284	D 5.4
EXPENSES			
DEPRECIATION-ROAD	254,212	244,372	4.0
ALL OTHER WAY AND STRUCTURES	783,426	851,755	D 8.0
TOTAL WAY AND STRUCTURES	1,037,638	1,096,127	D 5.3
DEPRECIATION-EQUIPMENT	237,409	239,734	D 1.0
ALL OTHER EQUIPMENT	1,310,464	1,411,818	D 7.2
TOTAL EQUIPMENT EXPENSE	1,547,873	1,651,552	D 6.3
TRANSPORTATION-TRAIN & YARD	2,417,314	2,632,860	D 8.2
TRANSPORTATION-SPEC. SERV. & ADM.	352,320	368,511	D 4.4
GENERAL & ADMINISTRATIVE	684,515	710,689	D 3.7
TOTAL OPERATING EXPENSES	6,039,660	6,459,739	D 6.5
NET REVENUE FROM RAILWAY OPERATIONS	660,469	619,545	6.6
OTHER INCOME	282,456	325,579	D 13.2
DIVIDENDS FROM AFFILIATES	6,888	3,007	129.1
EQUITY IN UNDISTR.EARN. OF AFFIL.	22,660	12,458	81.9
TOTAL INC. FROM AFFILIATED COS.	29,548	15,465	91.1
MISCELLANEOUS DEDUCTIONS	76,462	72,258	5.8
INCOME AVAILABLE FOR FIXED CHARGES	896,011	888,331	.9
FIXED CHARGES			
INTEREST ON FUNDED DEBT	221,573	225,411	D 1.7
INTEREST ON UNFUNDED DEBT	9,060	11,687	D 22.5
AMORT. OF DISCOUNT ON FUNDED DEBT	2,903	2,247	29.2
TOTAL FIXED CHARGES	233,536	239,345	D 2.4
INCOME AFTER FIXED CHARGES	662,475	648,986	2.1
OTHER DEDUCTIONS	2,925	2,943	D .6
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	0	DR 66	100.0
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	659,550	645,977	2.1
INCOME TAXES ON ORDINARY INCOME	109,698	70,775	55.0
PROVISION FOR DEFERRED INC. TAXES	147,811	173,184	D 14.7
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	402,041	402,018	
INC.(LOSS)FR.OPER.OF DISCONT.SEG.	0	0	
GAIN(LOSS)ON DISP.OF DISCONT.SEG.	0	0	
ORDINARY INCOME	402,041	402,018	.0
EXTRAORDINARY ITEMS (NET)	15,258	12,603	21.1
INCOME TAXES ON EXTRAORD. ITEMS	0	0	
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS	0	0	
CUM.EFFECT CHANGES IN ACCT.PRIN.	0	0	
NET INCOME(AFTER EXTRAORD. ITEMS)	417,299	414,621	.6
INCOME FROM LEASE OF ROAD & EQUIP	400	387	3.4
RENT FOR LEASED ROADS & EQUIPMENT	7,572	7,231	4.7
NET RAILWAY OPERATING INCOME	410,112	382,430	7.2
CASH FLOW	1,018,813	1,046,650	D 2.7
RATIOS			
RATIO TO OPERATING REVENUES			
OPERATING EXPENSES	90.1	91.2	
OPERATING EXPENSES(INC.INC.TAXES)	94.0	94.7	
NET RAILWAY OPERATING INCOME	6.1	5.4	

RATE OF RETURN ON PROPERTY INVESTMENT[5]

12 MONTHS ENDED MARCH 31, 1986 & 1985

(Dollars in Thousands)

	NET INVESTMENT[6]		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT	$21,963,194	$21,345,312	$ 799,509	$ 1,212,306	3.64%	5.68%
WESTERN DISTRICT	23,670,205	22,703,483	990,195	1,130,411	4.18	4.98
UNITED STATES	$45,633,399	$44,048,795	$ 1,789,704	$ 2,342,717	3.92%	5.32%

Beginning with this report, what were previously the Eastern and Southern Districts have been combined into the Eastern District because of railroad mergers.

RAILROAD REVENUES, EXPENSES, AND INCOME

THREE MONTHS MARCH 31,1986 AND 1985

Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	$23,079	$27,597	$24,070	$28,796	$25,197	$28,562	$-185	$917	$-1,053	$308
CONRAIL	734,268	759,781	760,751	788,672	714,196	742,988	44,524	42,926	31,310	34,063
CSX TRANSPORTATION	1,108,990	1,162,255	1,140,473	1,202,228	1,006,035	1,088,964	70,403	80,898	93,352	72,573
DELAWARE & HUDSON	24,917	25,758	25,374	26,300	26,335	29,295	-1,742	-3,432	-948	-2,966
ELGIN, JOLIET & EASTERN	13,912	14,341	20,763	20,707	21,138	20,323	670	1,135	-736	-301
FLORIDA EAST COAST	29,012	30,755	29,881	31,328	22,777	22,734	4,607	6,538	2,683	3,361
GRAND TRUNK WESTERN	79,596	85,294	83,093	88,802	89,778	87,237	-5,541	518	-5,532	1,777
ILLINOIS CENTRAL GULF	181,933	223,145	201,761	241,860	170,307	230,021	17,515	3,525	23,477	10,662
NORFOLK & WESTERN	402,738	410,957	418,838	426,479	340,173	351,456	52,515	55,968	40,980	38,153
SOUTHERN RAILWAY SYSTEM	425,400	422,063	435,349	433,117	347,281	361,240	52,135	43,108	56,268	42,176
TOTAL EASTERN DISTRICT	$3,023,845	$3,161,946	$3,140,353	$3,288,289	$2,763,217	$2,962,820	$234,901	$232,101	$239,801	$199,806
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	$497,757	$537,512	$509,106	$549,104	$475,211	$524,364	$19,340	$27,569	$25,899	18,251
BURLINGTON NORTHERN	944,409	1,034,484	967,103	1,055,596	825,440	861,847	78,221	118,703	83,525	113,420
CHICAGO & NORTH WESTERN	186,853	178,398	212,764	204,634	202,933	207,296	3,779	-12,910	10,154	-712
DENVER & RIO GRANDE WESTERN	74,363	83,673	75,729	85,018	66,256	76,907	4,921	5,995	6,063	4,918
KANSAS CITY SOUTHERN	77,410	75,529	81,194	79,024	66,067	69,718	9,034	4,293	10,087	6,387
MILWAUKEE ROAD	0	46,687	0	48,993	0	57,325	0	-9,114	0	-8,313
MISSOURI PACIFIC	410,037	431,192	423,393	442,676	374,097	403,755	20,609	27,627	43,116	41,691
MISSOURI-KANSAS-TEXAS	58,508	62,470	61,413	65,692	58,697	63,109	1,220	-5,898	2,979	-2,961
SOO LINE	152,264	116,574	156,560	119,391	152,883	112,961	373	1,771	3,532	5,897
SOUTHERN PACIFIC CO.	452,503	504,077	470,054	520,630	533,226	547,975	-31,792	-26,411	-59,964	-25,291
ST. LOUIS SOUTHWESTERN	84,524	98,624	85,925	100,405	81,737	97,485	4,106	2,733	2,439	1,252
UNION PACIFIC	470,683	480,901	475,594	486,777	401,424	436,.85	54,629	35,965	40,720	29,970
WESTERN PACIFIC	40,433	32,580	40,941	33,055	38,472	37,992	2,700	-406	1,781	-1,885
TOTAL WESTERN DISTRICT	$3,449,744	$3,682,701	$3,559,776	$3,790,995	$3,276,443	$3,496,419	$167,140	$169,917	$170,331	$182,624
TOTAL UNITED STATES	$6,473,589	$6,844,647	$6,700,129	$7,079,284	$6,039,660	$6,459,739	$402,041	$402,018	$410,132	$382,430

NOTE. First quarter 1986 earnings for the Atchison, Topeka & Santa Fe and the Southern Pacific are reduced by $3.8 million and $31.3 million, respectively, reflecting employee severence allowances.

TOTAL OPERATING REVENUES, EXPENSES, [1] ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES [2]
BY QUARTERS 1981 - 1986

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total [4]
TOTAL OPERATING REVENUES					
1981	$7 660	$7 582	$7 964	$7 699	$30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 079	7 068	6 743	6 745	27 635
1986	6 700				
TOTAL OPERATING EXPENSES					
1981	$6 954	$7 174	$7 332	$7 117	$28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 460	6 153	5 914	6 736	25 259
1986	6 040				
ORDINARY INCOME (After Fixed Charges)					
1981	$626	$336	$480	$562	$2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	402	640	646	85	1 779
1986	402				
NET RAILWAY OPERATING INCOME					
1981	$475	$278	$434	$198	$1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	382	646	573	159	1 762
1986	410				
REVENUE TON-MILES					
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 655	222 843	216 223	216 302	875 976p
1986	291 850p				
CAPITAL EXPENDITURES					
1981	$926	$710	$550	$668	$2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699	1 336	1 321	1 136	4 493
1986	677p				

r - revised
p - Preliminary

NOTES TO THE RE&I REPORT

1. The change in 1984 quarterly data from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA) affects the comparability of trends published in the quarterly "Revenue, Expenses and Income" statement (RE&I). Statistics for years prior to 1984 (as shown above) are on a RRB basis. Beginning in 1984, statistics are on a depreciation accounting basis.

2. Effective January 1, 1985, three railroads were reclassified from Class I to Class II status and no longer file quarterly or annual reports to the Interstate Commerce Commission. They are: Bessemer & Lake Erie Railroad Company, Pittsburgh & Lake Erie Railroad Company and Duluth, Missabe and Iron Range Railway Company. The data for these carriers are included through 1984 in the trends section.

3. On February 20, 1985, Soo Line Railroad Company acquired the Milwaukee Road, Inc. From that date, the results of the Milwaukee Road, Inc. are included in the Soo Line Railroad Company report.

4. Differences in totals and subtotals are due to rounding.

5. Rate of return is calculated on the net investment in road and equipment, less interest during construction and debit balances in other elements of investment plus working capital. The rate of return does not contain an adjustment for investment tax credits, as prescribed by the Commission in Ex Parte No. 393, due to lack of available data on a quarterly basis. It is estimated that under the Ex Parte No. 393 formula a slightly lower return would result for most carriers.

6. The rates of return for the year ending March 31, 1986 and 1985 are calculated on the average 1985 net investment and average 1984 net investment, respectively. All components of the ROI are on a DA basis.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
June 3, 1986

ASSOCIATION
OF AMERICAN
RAILROADS

Supplement to R&E Series No. 725
Revised - June 26, 1986 A3875-1

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

[illegible]

CAPITAL EXPENDITURES

(Dollars in Millions)

	1ST QTR		2ND QTR		3RD QTR		4TH QTR		YEAR		
	Road	Equip	Road	Equip	Road	Equip	Road	Equip	Road	Equip	Total
1981	$303	$623	$ 299	$411	$ 321	$229	$410	$258	$1334	$1521	$2855
1982	209	208	269	244	348	113	436	147	1262	713	1975
1983	169	59	393	112	262	103	533	177	1356	451	1807
1984	527	120	944	217	1125	199	869	308	3472	845	4317
1985	568	131	1079	257	1035	286	869	267	3521	972	4493
1986	496	172									

REVENUE TON-MILES

(Millions)

RAILROAD	FIRST QUARTER 1986	FIRST QUARTER 1985	SECOND QUARTER 1985	THIRD QUARTER 1985	FOURTH QUARTER 1985	TOTAL YEAR 1985
ATSF	16,965	17,819	17,202	17,171	16,902	69,095
BM	480	580	600	585	586	2,351
BN	45,869	46,653	46,123	45,436	45,883	184,094
CNW	6,745	6,213	6,220	6,150	5,692	24,275
CR	18,123	18,323	19,181	17,881	18,746	74,132
CSX	33,305	32,803	35,341	32,533	33,376	134,052
DH	785p	933	939	922	854	3,647
DRGW	2,814	2,828	3,095	2,892	2,829	11,643
EJE	107	121	135	121	103	480
FEC	904	819	805	762	841	3,227
GTW	1,245	1,232	1,335	1,193	1,262	4,981
ICG	5,815	7,263	6,361	5,740	6,383	25,747
KCS	3,027	2,973	3,046	2,898	2,702	11,620
MKT	2,098	2,119	2,218	2,445	2,135	8,918
MP	13,744	13,263	12,504	12,983	12,620	51,371
NW	11,817	11,166	11,335	10,540	11,125	44,166
SSW	2,965	3,545	3,467	3,253	3,206	13,472
SOO*	4,986	3,548	5,072	4,523	5,199	18,342
SP	15,159	15,862	16,585	15,992	15,062	63,501
SRS	11,814	11,476	12,444	11,656	11,818	47,394
UP	19,373	19,665	17,317	18,952	17,461	73,396
WP	1,498	1,451	1,518	1,595	1,517	6,072
TOTAL	219,635p	220,655	222,843	216,223	216,302	875,976

e - estimate
p - preliminary
* - Includes Milwaukee beginning 2/19/85

NOTES: 1) Total of quarters will not add to total for year due to non-reported revisions in earlier quarters of year and rounding.

2) Starting first quarter 1984 data reflects depreciation accounting and is not directly comparable to data in prior quarters.

AVERAGE NUMBER OF EMPLOYEES

RAILROAD	FIRST QUARTER 1986	FIRST QUARTER 1985	SECOND QUARTER 1985	THIRD QUARTER 1985	FOURTH QUARTER 1985	YEAR 1985
Boston & Maine	2 324	2 437	2 535	2 546	2 509	2 507
CSX Transportation	47 775	52 405	54 451	51 794	49 589	52 011
Conrail	31 591	34 826	37 348	37 830	35 322	36 331
Delaware & Hudson	N/A	1 283	1 443	1 442	1 380	1 387
Elgin Joliet & Eastern	1 460	1 383	1 543	1 552	1 494	1 497
Grand Trunk Western	N/A	4 202	4 273	4 203	4 254	4 233
Florida East Coast	1 032	1 042	1 054	1 049	1 042	1 047
Illinois Central Gulf	N/A	9 409	9 695	9 162	8 588	9 215
Norfolk Southern	34 630	35 363	36 646	36 510	35 975	36 415
TOTAL EAST	N/A	142 350	148 988	146 088	140 153	144 643
Atchison, Topeka & Santa Fe	24 021	26 380	26 710	26 048	24 944	26 020
Burlington Northern	34 867	38 770	38 967	38 482	36 959	38 294
Chicago & North Western	9 360	9 791	10 343	10 661	10 222	10 255
Denver & Rio Grande Western	2 230	2 709	2 622	2 479	2 382	2 548
Kansas City Southern	2 496	2 658	2 603	2 581	2 551	2 599
Missouri-Kansas-Texas	2 402	2 530	2 518	2 519	2 462	2 505
Missouri Pacific	14 623	17 174	16 599	15 769	15 149	16 242
St. Louis Southwestern	3 633	3 928	3 840	3 779	3 695	3 808
Soo Line	N/A	7 916	8 233	8 089	7 591	3 326
Milwaukee	N/A	4 524[1/]	-	-	-	4 223
Southern Pacific	24 773	25 728	26 131	25 762	25 165	25 749
Union Pacific	18 722	20 286	20 554	20 154	19 466	20 118
Western Pacific	1 473	1 579	1 556	1 540	1 500	1 551
TOTAL WEST	N/A	163 973	160 676	157 863	152 086	157 238
TOTAL US	N/A	306 323	309 664	303 951	292 239	301 881

N/A - Not Available.

1/ Average through February 19, 1985. After that data, employees are included in SOO Line.

A3275-1

SECOND QUARTER*
R&E Series No. 726

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE SECOND QUARTER 1986	1985	PERCENT INCREASE 1986 OVER 1985	FOR THE SIX MONTHS ENDED JUNE 30 1986	1985	PERCENT INCREASE 1986 OVER 1985
REVENUE						
FREIGHT	$6,426,833	$6,865,423	D 6.4	$12,900,432	$13,710,076	D 5.9
PASSENGER	26,783	25,880	3.4	53,241	51,267	3.9
PASSENGER RELATED	47	42	11.9	93	90	3.3
ALL OTHER OPERATING REVENUE	184,858	206,891	D 10.6	382,592	412,939	D 7.3
JOINT FACILITY ACCOUNT	2,167	2,060	5.2	4,449	5,214	D 14.7
TOTAL OPERATING REVENUES	6,640,688	7,100,296	D 6.5	13,340,797	14,179,580	D 5.9
EXPENSES						
DEPRECIATION-ROAD	607,629	246,410	146.6	861,841	490,782	75.6
ALL OTHER WAY AND STRUCTURES	758,684	774,604	D 2.1	1,542,110	1,626,359	D 5.2
TOTAL WAY AND STRUCTURES	1,366,313	1,021,014	33.8	2,403,951	2,117,141	13.5
DEPRECIATION-EQUIPMENT	264,127	235,899	12.0	501,536	475,633	5.4
ALL OTHER EQUIPMENT	1,293,289	1,345,668	D 3.9	2,603,753	2,757,486	D 5.6
TOTAL EQUIPMENT EXPENSE	1,557,416	1,581,567	D 1.5	3,105,289	3,233,119	D 4.0
TRANSPORTATION-TRAIN & YARD	2,153,633	2,535,624	D 15.1	4,570,947	5,168,484	D 11.6
TRANSPORTATION-SPEC. SERV. & ADM.	354,628	354,781	D .0	706,946	723,292	D 2.3
GENERAL & ADMINISTRATIVE	684,925	681,154	.6	1,369,440	1,391,843	D 1.6
TOTAL OPERATING EXPENSES	6,116,913	6,174,140	D .9	12,156,573	12,633,879	D 3.8
NET REVENUE FROM RAILWAY OPERATIONS	523,755	926,156	D 43.4	1,184,224	1,545,701	D 23.4
OTHER INCOME	285,212	298,183	D 4.4	570,922	623,762	D 8.5
DIVIDENDS FROM AFFILIATES	10,651	13,067	D 18.5	17,539	16,074	9.1
EQUITY IN UNDISTR.EARN. OF AFFIL.	6,946	417	1,565.7	29,227	12,875	127.0
TOTAL INC. FROM AFFILIATED COS.	17,597	13,484	30.5	46,766	28,949	61.5
MISCELLANEOUS DEDUCTIONS	80,854	78,530	3.0	157,316	150,788	4.3
INCOME AVAILABLE FOR FIXED CHARGES	745,710	1,159,293	D 35.7	1,644,596	2,047,624	D 19.7
FIXED CHARGES						
INTEREST ON FUNDED DEBT	216,261	224,454	D 3.7	437,834	449,865	D 2.7
INTEREST ON UNFUNDED DEBT	9,708	10,001	D 2.9	18,768	21,688	D 13.5
AMORT. OF DISCOUNT ON FUNDED DEBT	2,891	2,220	30.2	5,794	4,467	29.7
TOTAL FIXED CHARGES	228,860	236,675	D 3.3	462,396	476,020	D 2.9
INCOME AFTER FIXED CHARGES	516,850	922,618	D 44.0	1,182,200	1,571,604	D 24.8
OTHER DEDUCTIONS	2,915	2,931	D .5	5,840	5,874	D .6
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	DR 659,734	0	D .0	DR 659,734	DR 66	D *******
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	DEF 145,799	919,687	D 115.9	516,626	1,565,664	D 67.0
INCOME TAXES ON ORDINARY INCOME	91,928	101,710	D 9.6	201,626	172,485	16.9
PROVISION FOR DEFERRED INC. TAXES	CR 268,544	184,429	D 244.0	CR 120,733	359,613	D 133.6
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	30,817	631,548	D 95.1	435,733	1,033,566	D 57.8
INC.(LOSS)FR.OPER.OF DISCONT.SEG.	0	0	.0	0	0	.0
GAIN(LOSS)ON DISP.OF DISCONT.SEG.	0	0	.0	0	0	.0
ORDINARY INCOME	30,817	631,548	D 95.1	435,733	1,033,566	D 57.8
EXTRAORDINARY ITEMS (NET)	39,691	34,479	15.1	54,949	47,082	16.7
INCOME TAXES ON EXTRAORD. ITEMS	0	0	.0	0	0	.0
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS	0	0	.0	0	0	.0
CUM.EFFECT CHANGES IN ACCT.PRIN.	335,841	0	.0	335,841	0	.0
NET INCOME(AFTER EXTRAORD. ITEMS)	DEF 265,333	666,027	D 139.8	154,841	1,080,648	D 85.7
INCOME FROM LEASE OF ROAD & EQUIP	404	394	2.5	804	779	3.2
RENT FOR LEASED ROADS & EQUIPMENT	4,998	7,191	D 30.5	12,570	14,069	D 10.7
NET RAILWAY OPERATING INCOME	764,945	644,814	9.3	1,115,097	1,026,893	8.6
CASH FLOW	627,083	1,299,869	D 51.8	1,649,150	2,346,719	D 29.7
RATIOS						
RATIO TO OPERATING REVENUES						
OPERATING EXPENSES	92.1	87.0		91.1	89.1	
OPERATING EXPENSES(INC.INC.TAXES)	89.5	91.0		91.7	92.9	
NET RAILWAY OPERATING INCOME	10.6	9.1		8.4	7.2	

RATE OF RETURN ON PROPERTY INVESTMENT[5]

12 MONTHS ENDED JUNE 30, 1986 & 1985

(Dollars in Thousands)

	NET INVESTMENT*		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT	$22,193,510	$21,732,780	$ 776,951	$ 1,135,603	3.50%	5.23%
WESTERN DISTRICT	24,043,407	23,092,084	1,057,639	1,093,956	4.40	4.74
UNITED STATES	$46,236,917	$44,824,864	$ 1,834,590	$ 2,229,559	3.97%	4.97%

*Includes special charges; see inserted "Special Notes"

RAILROAD REVENUES, EXPENSES, AND INCOME

SECOND QUARTER 1986 AND 1985

Class I Railroads in the United States

Dollars in Thousands

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	$15,412	$28,868	$16,284	$30,237	$19,990	$29,163	$-3,069	$1,162	$-3,632	$1,148
CSX TRANSPORTATION	1,141,823	1,195,526	1,177,081	1,237,533	987,756	1,070,255	111,547	108,921	119,637	121,326
CONRAIL	774,528	796,347	797,835	824,662	657,700	691,253	106,337	121,984	101,539	100,632
DELAWARE & HUDSON	17,646	27,273	17,888	27,659	20,117	27,001	-3,059	1,007	-2,216	886
ELGIN, JOLIET & EASTERN	14,210	16,771	19,953	23,831	19,238	21,735	1,789	1,978	-173	441
FLORIDA EAST COAST	28,610	27,630	29,291	28,048	22,765	23,269	4,488	6,151	2,064	568
GRAND TRUNK WESTERN	82,033	82,672	85,976	85,729	86,522	84,877	9,596	793	-848	1,296
ILLINOIS CENTRAL GULF	153,029	204,700	170,857	223,415	168,838	210,751	3,748	5,580	8,242	12,154
NORFOLK & WESTERN	408,642	433,396	424,487	452,027	321,740	327,303	74,216	83,248	50,881	66,824
SOUTHERN RAILWAY SYSTEM	421,241	424,893	430,121	434,787	322,546	340,265	65,158	54,727	64,428	58,385
TOTAL EASTERN DISTRICT	$3,057,174	$3,238,076	$3,169,773	$3,367,928	$2,627,212	$2,825,872	$370,751	$385,551	$339,922	$363,460
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	$461,564	$531,566	$471,583	$543,030	$437,660	$497,786	$21,155	$32,712	$27,537	$37,572
BURLINGTON NORTHERN	895,040	979,366	915,635	1,001,700	1,181,248	805,396	-131,645	114,497	-122,531	114,562
CHICAGO & NORTH WESTERN	181,117	183,452	205,490	208,480	193,043	198,252	4,620	2,575	12,265	10,425
DENVER & RIO GRANDE WESTERN	76,979	83,311	77,934	84,438	68,057	74,234	6,178	5,286	4,901	6,884
KANSAS CITY SOUTHERN	67,231	78,678	70,595	82,283	60,827	69,612	4,589	6,660	6,781	8,713
MISSOURI PACIFIC	391,413	401,403	401,414	412,573	359,827	399,068	-130,826	1,595	160,309	14,784
MISSOURI-KANSAS-TEXAS	55,562	68,361	58,361	71,404	56,270	66,184	4,200	2,912	2,348	5,515
SOO LINE	147,655	160,304	152,060	165,585	149,874	166,564	4,948	-4,716	5,404	6,003
SOUTHERN PACIFIC CO.	479,504	521,769	498,082	537,333	479,507	521,813	29,530	31,225	21,961	18,811
ST. LOUIS SOUTHWESTERN	89,121	97,532	90,256	98,896	83,176	94,830	4,650	3,787	4,606	2,188
UNION PACIFIC	481,452	480,143	486,001	484,529	375,862	402,771	-139,754	56,991	225,435	58,385
WESTERN PACIFIC	43,021	41,462	43,484	42,117	44,350	51,758	-17,579	-7,527	16,027	-2,488
TOTAL WESTERN DISTRICT	$3,369,659	$3,627,347	$3,470,895	$3,732,368	$3,489,701	$3,348,268	$-339,934	$245,997	$365,043	$281,354
TOTAL UNITED STATES	$6,426,833	$6,865,423	$6,640,668	$7,100,296	$6,116,913	$6,174,140	$30,817	$631,548	$704,965	$644,814

RAILROAD REVENUES, EXPENSES, AND INCOME

SIX MONTHS JUNE 30, 1986 AND 1985

Class I Railroads in the United States

Dollars in Thousands

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	$38,491	$56,465	$40,354	$59,033	$45,187	$57,725	$-379	$2,079	$-4,685	$1,456
CSX TRANSPORTATION	2,250,813	2,357,781	2,317,554	2,439,761	1,993,791	2,159,219	181,950	189,819	212,989	193,548
CONRAIL	1,508,796	1,556,128	1,558,586	1,613,334	1,371,896	1,434,241	150,861	164,910	132,849	134,695
DELAWARE & HUDSON	42,563	53,031	43,262	53,959	46,452	56,296	-4,801	-2,425	-3,164	-2,280
ELGIN, JOLIET & EASTERN	28,122	31,112	40,716	44,538	40,376	42,058	2,459	3,113	-909	140
FLORIDA EAST COAST	57,622	58,385	59,172	59,376	45,542	46,003	9,095	12,689	4,747	3,929
GRAND TRUNK WESTERN	161,629	167,966	169,069	174,531	176,300	172,114	4,055	1,311	-6,380	3,073
ILLINOIS CENTRAL GULF	334,962	427,845	372,618	465,275	339,145	440,772	21,263	9,105	31,719	22,816
NORFOLK & WESTERN	811,380	844,353	843,325	878,506	661,913	678,759	126,731	139,216	91,861	104,977
SOUTHERN RAILWAY SYSTEM	846,641	846,956	865,470	867,904	669,827	701,505	117,293	97,835	120,696	100,561
TOTAL EASTERN DISTRICT	$6,081,019	$6,400,022	$6,310,126	$6,656,217	$5,390,429	$5,788,692	$608,527	$617,652	$579,723	$562,915
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	$959,321	$1,069,078	$980,689	$1,092,134	$912,871	$1,022,150	$40,495	$60,281	$53,436	$55,823
BURLINGTON NORTHERN	1,839,449	2,013,850	1,882,738	2,057,296	2,006,688	1,667,243	-53,424	233,200	-39,006	227,982
CHICAGO & NORTH WESTERN	367,970	361,850	418,254	413,114	395,976	405,548	8,399	-10,335	22,419	9,713
DENVER & RIO GRANDE WESTERN	151,342	166,984	153,663	169,456	134,313	151,141	11,099	11,281	10,964	11,802
KANSAS CITY SOUTHERN	144,641	154,207	151,789	161,307	126,894	139,330	13,623	10,953	16,868	15,100
MISSOURI PACIFIC	801,450	832,595	824,807	855,249	733,924	802,823	-110,217	29,222	203,425	56,475
MISSOURI-KANSAS-TEXAS	114,070	130,831	119,774	137,096	114,967	129,293	5,420	-2,986	5,327	2,554
SOO LINE	299,919	323,565	308,620	333,969	302,757	336,850	5,321	-12,059	8,936	3,587
SOUTHERN PACIFIC CO.	932,007	1,025,846	968,136	1,057,963	1,012,733	1,069,788	-2,262	4,814	-38,003	-6,480
ST. LOUIS SOUTHWESTERN	173,645	196,156	176,181	199,301	164,913	192,315	8,756	6,520	7,045	3,440
UNION PACIFIC	952,135	961,044	961,595	971,306	777,286	838,956	-85,125	92,956	266,155	88,355
WESTERN PACIFIC	83,454	74,042	84,425	75,172	82,822	89,750	-14,879	-7,933	17,808	-4,373
TOTAL WESTERN DISTRICT	$6,819,403	$7,310,048	$7,030,671	$7,523,363	$6,766,144	$6,845,187	$-172,794	$415,914	$535,374	$463,978
TOTAL UNITED STATES	$12,900,422	$13,710,070	$13,340,797	$14,179,580	$12,156,573	$12,633,879	$435,733	$1,033,566	$1,115,097	$1,026,893

TOTAL OPERATING REVENUES, EXPENSES, [1] ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES [2] BY QUARTERS 1981 - 1986

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total [4]
TOTAL OPERATING REVENUES					
1981	$7 660	$7 582	$7 964	$7 699	$30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 079	7 068	6 743	6 745	27 635
1986	6 700	6 641			
TOTAL OPERATING EXPENSES					
1981	$6 954	$7 174	$7 332	$7 117	$28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 460	6 153	5 914	6 736	25 259
1986	6 040	6 117			
ORDINARY INCOME (After Fixed Charges)					
1981	$626	$336	$480	$562	$2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	402	640	646	85	1 779
1986	402	31			
NET RAILWAY OPERATING INCOME					
1981	$475	$278	$434	$198	$1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	382	646	573	159	1 762
1986	410	705			
REVENUE TON-MILES					
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 655	222 843	216 223	216 302	875 976p
1986	219 636	221 527			
CAPITAL EXPENDITURES					
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699	1 336	1 321	1 136	4 493
1986	668				

r - revised
p - Preliminary

NOTES TO THE RE&I REPORT

1. The change in 1984 quarterly data from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA) affects the comparability of trends published in the quarterly "Revenue, Expenses and Income" statement (RE&I). Statistics for years prior to 1984 (as shown above) are on a RRB basis. Beginning in 1984, statistics are on a depreciation accounting basis.

2. Effective January 1, 1985, three railroads were reclassified from Class I to Class II status and no longer file quarterly or annual reports to the Interstate Commerce Commission. They are: Bessemer & Lake Erie Railroad Company, Pittsburgh & Lake Erie Railroad Company and Duluth, Missabe and Iron Range Railway Company. The data for these carriers are included through 1984 in the trends section.

3. The results of the Milwaukee Road, Inc. are included in the Soo Line Railroad Company report.

4. Differences in totals and subtotals are due to rounding.

5. Rate of return is calculated on the net investment in road and equipment on a depreciation accounting basis, less interest during construction and debit balances in other elements of investment plus working capital. The rate of return does not contain an adjustment for investment tax credits, as prescribed by the Commission in Ex Parte No. 393, due to lack of available data on a quarterly basis. It is estimated that under the Ex Parte No. 393 formula a slightly lower return would result for most carriers.

6. The rates of return for the year ending June 30, 1986 and 1985 are calculated on the year end 1985 net investment and the year end 1984 net investment, respectively. All components of the ROI are on a DA basis.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
SEPTEMBER 3, 1986

SUPPLEMENT TO R&E Series No. 726

CAPITAL EXPENDITURES

September 3,1986

(Dollars in Millions)

	1ST QTR		2ND QTR		3RD QTR		4TH QTR		YEAR		
	Road	Equip	Road	Equip	Road	Equip	Road	Equip	Road	Equip	Total
1981	$303	$623	$ 299	$411	$ 321	$229	$410	$258	$1334	$1521	$2855
1982	209	208	269	244	348	113	436	147	1262	713	1975
1983	169	59	393	112	262	103	533	177	1356	451	1807
1984	527	120	944	217	1125	199	869	308	3472	845	4317
1985	568	131	1079	257	1035	286	869	267	3521	972	4493
1986	496	172									

REVENUE TON-MILES

(Millions)

RAILROAD	SECOND QUARTER 1986	FIRST QUARTER 1986	FOURTH QUARTER 1985	THIRD QUARTER 1985	SECOND QUARTER 1985	FIRST QUARTER 1985
ATSF	16,234	16,965	16,902	17,171	17,202	17,819
BM	323	480	586	585	600	580
BN	42,048	45,869	45,883	45,436	46,123	46,653
CNW	6,897	6,745	5,692	6,150	6,220	6,213
CR	19,006	18,123	18,746	17,881	19,181	18,323
CSX	35,231	33,305	33,376	32,533	35,341	32,803
DH	556p	785	854	922	939	933
DRGW	3,166	2,814	2,829	2,892	3,095	2,828
EJE	107	107	103	121	135	121
FEC	927	904	841	762	805	819
GTW	1,293	1,245	1,262	1,193	1,335	1,232
ICG	4,731	5,815	6,383	5,740	6,361	7,263
KCS	2,612	3,027	2,702	2,898	3,046	2,973
MKT	2,011	2,098	2,135	2,445	2,218	2,119
MP	12,268	13,744	12,620	12,983	12,504	13,263
NW	11,400	11,817	11,125	10,540	11,335	11,166
SSW	3,120	2,965	3,206	3,253	3,467	3,545
SOO*	4,651	4,986	5,199	4,523	5,072	3,548
SP	15,815	15,159	15,062	15,992	16,585	15,862
SRS	12,103	11,814	11,818	11,656	12,444	11,476
UP	25,236	19,373	17,461	18,952	17,317	19,665
WP	1,791	1,498	1,517	1,595	1,518	1,451
TOTAL	221,527	219,636	216,302	216,223	222,843	220,655

e - estimate
p - preliminary
* - Includes Milwaukee beginning 2/19/85

NOTE: Total of quarters will not add to total for year due to non-reported revisions in earlier quarters of year and rounding.

Starting first quarter 1984 data reflects depreciation accounting and is not directly comparable to data in prior quarters.

AVERAGE NUMBER OF EMPLOYEES

RAILROAD	SECOND QUARTER 1986	FIRST QUARTER 1986	FIRST QUARTER 1985	SECOND QUARTER 1985	THIRD QUARTER 1985	FOURTH QUARTER 1985	YEAR 1985
Boston & Maine	1 458	2 324	2 437	2 535	2 546	2 509	2 507
CSX Transportation	48 522	47 775	52 405	54 451	51 794	49 589	52 011
Conrail	34 858	31 591	34 826	37 348	37 830	35 322	36 331
Delaware & Hudson	505	1 145	1 283	1 443	1 442	1 380	1 387
Elgin, Joliet & Eastern	1 425	1 460	1 383	1 543	1 552	1 494	1 497
Grand Trunk Western	4 097	4 139	4 202	4 273	4 203	4 254	4 233
Florida East Coast	1 030	1 032	1 042	1 054	1 049	1 042	1 047
Illinois Central Gulf	6 958	7 733	9 409	9 695	9 162	8 588	9 215
Norfolk Southern	35 437	34 630	35 363	36 646	36 510	35 975	36 415
TOTAL EAST	134 290	131 829	142 350	148 988	146 088	140 153	144 643
Atchison, Topeka & Santa Fe	24 354	24 021	26 380	26 710	26 048	24 944	26 020
Burlington Northern	35 269	34 867	38 770	38 967	38 482	36 959	38 294
Chicago & North Western	9 647	9 360	9 791	10 343	10 661	10 222	10 255
Denver & Rio Grande Western	2 357	2 230	2 709	2 622	2 479	2 382	2 548
Kansas City Southern	2 470	2 496	2 658	2 603	2 581	2 551	2 599
Missouri-Kansas-Texas	2 114	2 402	2 530	2 518	2 519	2 462	2 505
Missouri Pacific	13 889	14 623	17 174	16 599	15 769	15 149	16 242
St. Louis Southwestern	3 542	3 633	3 928	3 840	3 779	3 695	3 808
Soo Line	6 722	6 940	7 916	8 233	8 089	7 591	3 326
Milwaukee	-	-	4 524 1/	-	-	-	4 223
Southern Pacific	24 147	24 773	25 728	26 131	25 762	25 165	25 749
Union Pacific	18 743	18 722	20 286	20 554	20 154	19 466	20 118
Western Pacific	1 449	1 473	1 579	1 556	1 540	1 500	1 551
TOTAL WEST	144 703	145 540	163 973	160 676	157 863	152 086	157 238
TOTAL US	278 993	277 369	306 323	309 664	303 951	292 239	301 881

N/A - Not Available.

1/ Average through February 19, 1985. After that data, employees are included in SOO Line.

September 3,1986

SPECIAL NOTES

SPECIAL NOTES TO THE SECOND QUARTER 1986 RE&I REPORT

During the second quarter of 1986, the Burlington Northern Railroad Company (BN) and Union Pacific Corporation (UP), which include the Union Pacific Railroad (UPR), the Missouri Pacific Railroad (MPR), and the Western Pacific Railroad (WPR), recorded a number of special charges to reflect cost associated the write down of surplus properties, changes in accounting methods, and the establishment of reserves for workforce reductions. The impact of these special charges on second quarter Revenues, Expenses and Income accounts are shown below.

($ Thousands)

REI Account Line No.	Account Item	BN	UPR	MPR	WPR	Total UPC	TOTAL IMPACT
6	Operating Revenue	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
7	Depreciation - Road	+331,223	0	0	0	0	+ 331,223
10	Depreciation - Equip	+ 21,275	0	0	0	0	+ 21,275
16	Operating Expenses	+352,498	0	0	0	0	+ 352,498
17	Net Revenue Rail Operation	-352,498	0	0	0	0	- 352,498
30	Unusual or Infrequent Items	0	-359,573	-272,112	- 28,049	-659,734	- 659,734
31	Ordinary Income (before tax)	-352,498	-359,573	-272,112	- 28,049	-659,734	-1,012,232
32 & 33	Income Taxes (paid & deferred)[1/]	-172,011	-165,404	-125,172	- 12,903	-303,479	- 475,490
37	Ordinary Income (after tax)	-180,487	-194,169	-146,940	- 15,146	-356,255	- 536,742
41	Cum. Change in Acctg. Prin.[1/]	-335,841	0	0	0	0	- 335,841
42	Net Income	-516,328	-194,169	-146,940	- 15,146	-356,225	- 872,553
Net Railway Operating Income		-180,487	+165,404	+125,112	+ 12,903	+303,479	+ 122,992

Special Charge	BN	UPC	TOTAL
Pretax	$1,002,498	$659,734	$1,662,232
After tax	516,328	356,255	872,583

[1/] Net of income taxes of $314,159 due to accounting change. Gross pretax charge for BN is ($352,498 operating expenses + $650,000 cum. change in acctg. principles) $1,002,498.